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“Mark my words” - Trademarks and Fundamental Rights in the EU¹

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Abstract. *This paper analyses the new provision in EU law that trademark rules should be “applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression”. It is first pointed out that the new provisions are part of a broader trend of ‘constitutionnalization’ in EU law whereby courts rely on fundamental rights norms when they interpret the rules of IPR. It is shown how this approach differs from the traditional approach according to which the two legal systems did not interact on the level of substantive law. After a presentation of the legislative background for the changes and the development in copyright law the likely impact of the changes in law is discussed. It is concluded that even though the constitutionalization is not going to revolutionize trademark law, it may well accelerate an evolution of EU trademark law and make it more receptive towards arguments from users’ of trade marks.*

1. Introduction

When the EU rules on trademarks were recently amended a new provision was added to the Recitals: Trademark rules should be “*applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression.*”² On the face of it, there is nothing surprising in this. Of course, trademark law has never been above or beyond the reach of fundamental rights such as the Free Speech.³

¹ This paper is based on my talk at UC Irvine on October 28th 2016 and benefited from the comments I received at that occasion. Thanks to Thomas Riis and Knud Wallberg (CIIR) for comments on an earlier draft and to Berdien van der Donk for research assistance.

² Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trademark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trademark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trademarks and Designs), OJ L 341 of 24 December 2015 p. 21–94 (‘Trademark Regulation’ or ‘Regulation’) point 21 and Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trademarks OJ L 336 of 23 December 2015, p. 1–26 (‘Trademark Directive’ or ‘Directive’), point 27.

³ For the following, I take “fundamental rights” to include those rights and freedoms which are recognized in the European Convention on Human Rights (ECHR) (Formally called the Convention for the Protection of Human Rights and Fundamental Freedoms), available e.g. at

Looking closer, however, it becomes clear that the explicit mentioning of fundamental rights is part of a broader and more fundamental reconfiguration in EU law of the interface between Intellectual Property Rights (IPR) and fundamental rights. This not only affects the way courts decide conflicts involving IPR and the kinds of arguments they consider as relevant. It also has normative implication.

This contribution describes the legal background for the new provisions and tries to predict its effects on future case law from the Court of Justice of the European Union (CJEU) and courts in EU countries. It first describes how EU law has dealt with the interface between IPR and fundamental rights so far and then zooms in on trademark law.⁴ It will be pointed out, how the new provisions are part of a general trend towards a reliance by courts of fundamental rights norms in IPR cases (i.e. the *constitutionalization*) and that the recitals are most likely going to accelerate this trend. The constitutionalization is not going to revolutionize trademark law but it will be argued that it might spark an evolution of EU trademark law and make it more receptive towards arguments from users' of trade marks.

2. IPR and Fundamental Rights

Traditionally, fundamental rights and IPR have been seen as sharing the same goals and values. Thus, the US Supreme Court in *Harper & Row* described copyright as an “engine of free expression”⁵ and the EU-Charter simply states that “Intellectual

<http://www.echr.coe.int/pages/home.aspx?p=basictexts> and in particular the Charter of Fundamental Rights of the European Union (EU Charter), *Official Journal C* 326 of 26 October 2012, p. 391–407. By way of example the Charter includes the following provisions: Article 8 Protection of personal data; Article 10 Freedom of thought, conscience and religion; Article 11 Freedom of expression and information; Article 13 Freedom of the arts and sciences; Article 16 Freedom to conduct a business; Article 17 Right to property; Article 48 Presumption of innocence and right of defence and Article 54 Prohibition of abuse of rights.

⁴ For a general introduction see the excellent collection Geiger C (ed.) *Research Handbook on Human Rights and Intellectual Property*, Elgar 2015. For the EU-dimension I recommend in particular Mylly T, The constitutionalization of the European legal order, *ibid.* 103 – 131, Geiger C, ‘Constitutionalising’ Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in the European Union, *International Review of Intellectual Property and Competition Law* 2006 37(4) 371-406 and Griffiths J Constitutionalisation or harmonization? The Court of Justice, the right to property and European copyright law, *E.L. Rev* 2013, 38(1), 65-78. Specifically on trademarks see M Senftleben, “Free Signs and Free Use: How to Offer Room for Freedom of Expression within the Trademark System” in Geiger (ed) 354-376, M Senftleben et al., “Recommendation on Measures to Safeguard Freedom of Expression and Undistorted Competition in EU Trade”, *European Intellectual Property Review* 2015, 337-344, and L Ramsey and J Schovsbo, “Mechanisms for Limiting Trademark Rights to Further Competition and Free Speech”, *International Review of Intellectual Property and Competition Law* 2013 671 (SSRN https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2619436).

⁵ US Supreme Ct., *Harper & Row v National Enterprises*, 471 US 539 (1958), 471 U.S. 539.

property shall be protected [as property]”^{6,7} Also IPR system itself is thought to balance the various societal interests including those specifically recognized via fundamental rights i.e. at the highest level in the hierarchy of legal norms. Trademark law has always done so in various ways. On the most general level, trademark law could be said to increase freedom of expression and information simply by expanding the “market in language”.⁸ More to the point, Martin Senftleben explains how the rules in EU trademark law which limit protection to only signs which are distinctive, impose a post registration use requirement on holders or which in other ways limit exclusivity promote a public domain which offers “a reservoir of unprotected and protected signs that are available for political, artistic and commercial speech”.⁹

Despite of the communalities between the two areas of law, there is little interference or room for interaction at the level of substantive law. Helfer and Austin thus report how fundamental rights and IPR have traditionally been preoccupied with their own distinct concerns and have not seen the other as either adding or threatening its sphere or influence or opportunities for expansion.¹⁰ By way of example they point out how the mother of all IPR’s (internal) limitations and exceptions¹¹ i.e. the three-step-test originating in the Berne Convention¹² contains no references to fundamental

⁶ Article 17(2). The right to property is stated in article 17(1): “Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest.” As pointed out by C Geiger, Intellectual property shall be protected!? Article 17(2) of the Charter of Fundamental Rights of the European Union: a mysterious provision with an unclear scope.(Editorial), *European Intellectual Property Review*, March, 2009, Vol.31(3), p.113-117 it is important to bear in mind that the protection of IPR is not “absolute” but according to subparagraph 1 may be limited and regulated in the “public”/“general” interest.

⁷ See also the Universal Declaration on Human Rights, Article 27(2): “Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author” and International Covenant on Economic, Social and Cultural Rights of 16 December 1966, Article 15(1)(c): “The States Parties to the present Covenant recognize the right of everyone: To benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author”.

⁸ Landes, William M. and Posner, Richard A. Trademark Law: An Economic Perspective, *The Journal of Law & Economics*, (1987) Vol. 30, No. 2 265-309 271 (noting also that these benefits are small).

⁹ Senftleben *supra* 355.

¹⁰ Helfer L R and Austin G W, *Human Rights and Intellectual Property – Mapping the Global Interface*, Cambridge University Press, Cambridge 2011, 34. At 31 et seq. the authors point out how this starting point is “curious” given the fact that the close relationship between IPR and human rights has been spelled out clearly in basic international legal instruments e.g. those mentioned *supra* note 4.

¹¹ Like Kur A, “Limitations and exceptions under the three-step test – how much room to walk the middle ground” 208 -261 in Kur A and Levin M *Intellectual Property Rights in a Fair World Trade System*, Edward Elgar 2011, 212 I take these two expressions to be interchangeable.

¹² Berne Convention for the Protection of Literary and Artistic Works (as amended on September 28, 1979, available at <http://www.wipo.int/wipolex/en/details.jsp?id=12214>, article 9(2)

rights.¹³ As seen from a traditional perspective, this is hardly surprising given that the international IPR treaties are based on the concept of minimum protection and are not primarily concerned with the way these rights are limited or function within the national systems *vis-a-vis* the nationals of the state.¹⁴ At the same time, it reflects a two-pillar view of IPR and fundamental rights.

2.1. IPR and Fundamental Rights in the EU

In recent years, the starting point described *supra* has become blurred and the two areas of the law are becoming more and more *aware of each other* (paraphrasing Helfer and Austin). At the international level, the Anti-Counterfeiting Trade Agreement (ACTA) for example expressly states that the enforcement procedures should be implemented in a manner that “avoids the creation of barriers to legitimate activity, including electronic commerce, and, consistent with that Party’s law, *preserves fundamental principles such as freedom of expression, fair process, and privacy*”.¹⁵ Even though that Agreement has not so far entered into force, it reflects an attempt to combine the two systems in a way which is very different when compared to the traditional IPR-conventions.¹⁶ A similar trend is visible in Europe. Beginning in national case law¹⁷ the CJEU has in more recent cases been drawing on (*external*) constitutional norms when interpreting IPR legislation including the *internal* balancing norms such as exceptions and limitations.¹⁸ In this way, it is becoming clear

¹³ Blomqvist J, *Primer on International Copyright and Related Rights*, Edward Elgar 2014, 182 interestingly points out how the three-step-test in the Berne Convention mirrors Article 4 of the International Covenant on Economic, Social and Cultural Rights of 16 December 1966 which was adopted just a year previous to the 1967-revision of the Berne Convention which introduced the three-step-test. The framers of the Berne Convention were thus very much aware of the development in fundamental rights law and the lack of cross-references, therefore, should be seen as a deliberate choice.

¹⁴ Blomqvist, *ibid.* 17 and Kur, *supra* note 11, 216 et seq.

¹⁵ Article 27(2) *italics added*. The text is available e.g. at <https://ustr.gov/acta>.

¹⁶ In the same vein, see the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (2013) (e.g. the first recital of the Preamble (“Recalling the principles of non-discrimination, equal opportunity, accessibility and full and effective participation and inclusion in society, proclaimed in the Universal Declaration of Human Rights and the United Nations Convention on the Rights of Persons with Disabilities), available at <http://www.wipo.int/wipolex/en/details.jsp?id=13169>.

¹⁷ For example Ramsey L and Schovsbo J *supra* note 4, Rahmatian A, “Trademarks and Human Rights”, in: Torremans P (ed.), 18 *Intellectual Property and Human Rights* 335, 349-350 (Kluwer Law International, 2008) and Weckström K, “The Lawfulness of Criticizing Big Business - Comparing Approaches to the Balancing of Societal Interests Behind Trademark Protection”, 11 *Lewis & Clark L. Rev.* 671 (2007).

¹⁸ Similarly, in EU-competition law which Advocate General Jääskinen has called “EU’s economic constitution”, Opinion delivered on 11 December 2014 in Case C-352/13 Cartel Damage Claims (CDC) with further references. According to the case law of the CJEU, competition law may be relied upon as the basis for compulsory licenses of IPR but only in *exceptional circumstances*, see Judgment of the CJEU of 29 April 2004 Case C-418/01 (IMS Health) point 38 and Judgment of the CJEU of 6 April 1995 C-241/91 P and C-242/91 P (Magill) and e.g. Schovsbo J, Fire and water make steam – redefining the role of competition law in TRIPS 308-358 in Kur A and Levin M (ed.) *Intellectual Property Rights in A Fair World Trade System*, Elgar 2011 345 .

that even though there are still walls between IPR and fundamental rights the walls are found within the same house and doors exist (and opens both ways) to allow the passage of legal norms and arguments from one legal system to the other.

The full ramifications of this process – aptly coined as the *constitutionalization of IPR* by Geiger¹⁹ – remain to be seen but already the shift has challenged traditional positions in IPR. For copyright (see more *infra*) the European Copyright Society has thus reported that the CJEU in the Deckmyn-decision by linking the (internal) limitation in copyright for parodies directly to the (external) Right to Freedom of Expression implicitly rejected the traditional continental European view of limitations and exceptions as being “restrictively delineated”²⁰. According to this Opinion, the reasoning of the CJEU instead reflects the case law of the European Court of Human Rights (based on the ECHR) that *any* exception to the right to freedom of expression including copyright must itself be interpreted narrowly.²¹ Thus the constitutional-based reading of the limitations and exceptions turns the analysis upside-down: If one sees *exclusivity* as the *exception* (and not as the main rule) then the limitation (which (re)introduces the freedom of information prohibited by exclusivity) represents the base line.²² As seen from such a perspective it is thus not possible to indicate a general principle of interpretation in favour of the main rule since it is not *a priori* clear, which is the main rule (exclusivity or freedom of information). Consequently, the constitutionalization provides courts with arguments that may affect their application of the law *de lege lata*.

In the most recent phase of EU harmonization (see *infra*), the traditional lines between IPR and fundamental rights have become even more blurred. This contribution focuses on the new trademark Regulation and Directive but similar provisions are found in the recently adopted Directive on trade secrets²³ and the

¹⁹ Geiger, *supra* note 4.

²⁰ Judgement of the CJEU of 3 September 2014, Case C-201/13, *Johan Deckmyn and Vrijheidsfonds VZW v Helena Vandersteen and Others*, ECLI:EU:C:2014:2132. Geiger C et al., Limitations and Exceptions as Key Elements of the Legal Framework for Copyright in the European Union – Opinion on the Judgment of the CJEU in Case C-201/13 Deckmyn, *International Review of Intellectual Property and Competition Law* (2015) 46(3) 93-101 point 23-27. Generally on the European traditional style of interpretation see Senftleben M, *Copyright, Limitations and the Three-Step Test – An Analysis of the Three-Step Test in International and EC Copyright Law*, Kluwer 2004 6 (on copyright).

²¹ Geiger et al., *ibid*.

²² Schovsbo J, Constitutional Foundations and Constitutionalization of IP Law - A Tale of Different Stories? [2015] ZGE/IPJ 7 1-12.

²³ Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, OJ L 157 of 15 June 2016, p. 1–18 (in particular point 19: “While this Directive provides for measures and remedies which can consist of preventing the disclosure of information in order to protect the confidentiality of trade secrets, it is essential that the exercise of the right to freedom of expression and information which encompasses media freedom and pluralism, as reflected in Article 11 of the Charter of Fundamental Rights of the European Union (‘the Charter’), not

proposal for a new copyright Directive^{24,25} Fundamental rights in other words, are becoming *internalized* into EU IPR and will, therefore, constitute an explicitly integrated part of the IPR legislative system. For this reason, courts will not just rely on fundamental rights only in exceptional cases where the internal balancing tools fall short. Instead, courts are going to rely on such norms in all instances. The precise effects of this development are hard to predict. Few trademark cases involve a *clash* between trademark exclusivity and – say – artistic freedom of expression. In addition, trademark law has traditionally had tools to factor free speech and other fundamental rights into the application of trademarks provisions on exclusivity. Arguably, these tools have generally been effective in striking the right balance. By way of example it was hardly a coincidence that in the much-reported Dutch case *Louis Vuitton* relied on EU design law and not on trade mar law to try to prevent the Danish artist Nadia Plesner from using their design/trade mark as part of an artwork (called *Simple Living*).²⁶ It would seem to have been clear from the outset, that such use did not fall foul of trademark law. Still the fact the EU trademark law has not till now explicitly recognized the interest of users such as Nadia Plesner does imply a certain element of

be restricted, in particular with regard to investigative journalism and the protection of journalistic sources”).

²⁴ Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market, COM(2016) 593 final, notably p 4 and the Proposed Directive points 45 (“This Directive respects the fundamental rights and observes the principles recognized in particular by the Charter of Fundamental Rights of the European Union. Accordingly, this Directive should be interpreted and applied in accordance with those rights and principles”) and point 46 (“Any processing of personal data under this Directive should respect fundamental rights, including the right to respect for private and family life and the right to protection of personal data under Articles 7 and 8 of the Charter of Fundamental Rights of the European Union and must be in compliance with Directive 95/46/EC of the European Parliament and of the Council and Directive 2002/58/EC of the European Parliament and of the Council” (footnotes omitted).

²⁵ See for an early example, the Judgment of the CJEU of 9 October 2001, case C-377/98, *Kingdom of the Netherlands v European Parliament and Council of the European Union*, ECLI:EU:C:2001:329 on Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions OJ L 213 of 30 July 1998, p. 13–21 (Biotech-Directive) (in particular para. 70: “It is for the Court of Justice, in its review of the compatibility of acts of the institutions with the general principles of Community law, to ensure that the fundamental right to human dignity and integrity is observed”).

²⁶ Judgement of the District Court of The Hague of 4 May 2011, 389526/KG ZA 11-294, *Nadia Plesner Joensen v Louis Vuitton Malletier SA*, ECLI:NL:RBSGR:2011:BQ3525. Unofficial translation (with pictures) available at <http://www.nadiaplesner.com/upl/website/simple-living--darfurnical/VerdictEnglish.pdf>. The court balanced the fundamental right of Louis Vuitton to peacefully enjoy its property right (i.e. design right) against the use of the design and the artist’s protection with regard to her artistic freedom. The court found that the artist was allowed to use LV’s design of a multicolour canvas as applied to one of its own expensive handbags as part of a drawing called Simple Living where the LV-bag was being carried by a malnourished African child (together with a ‘Paris Hilton-dog’). By the same token, even the use of the same drawing as the motive on a T-shirt was allowed for under design law. The artist explained that the bag was used as a symbol and as part of an attempt to draw attention to what she believed was a problematic difference in attention given to celebrities and to the famine, which was going on in Darfur. See in particular the Judgment point 4.8. See on the case L. Guilbaut, *The Netherlands: Darfurnica, Miffy and the right to parody!*, 3 JIPITEC, 236 (2011) and J. McCutcheon, *Designs, Parody and Artistic Expression – A Comparative Perspective of Plesner v Louis Vuitton*, *Monash Univ. L Rev.* Vol 41 No 1 (2015).

doubt which could be relied upon by aggressive rights holders to push exclusivity beyond its limits. This may have a freeze effects on artistic use which involves trade marks. Furthermore, the societal costs of such a freeze for artistic and cultural development have no doubt been growing in recent years. The same factors which have made trademarks more and more important as communicative tools for companies have thus increased their importance for users who for various reasons *need access* to use someone else's trademark in order to engage in activities which are generally recognized as being beneficial to society. Users in this sense include a disparate group and their interest may be driven by different motives. As seen from a *cultural* perspective artists have for long used trademarks as part of their artwork (just think of Andy Warhole's *Campbell's Soup Cans*²⁷ or James Bond's well-known fondness for *Bollinger* champagne). *Political* use includes satirical uses such as when a non-governmental-organisation (ngo) wants to criticise the oil company and uses *E\$ \$O*²⁸ or the use by an anti-smoking organization of a parody of a Marlboro advertisement to bring across an antismoking message²⁹. *Commercially* access to someone else's trade mark may be necessary in order to simply present one's own products as alternatives ("If you like 'brand X' you'd love my brand too") or to indicate their use ("this part fits with 'brand X'"). Importantly, the scope of fundamental rights norms in the EU is very broad and goes beyond traditional civil rights such as free speech (e.g. use to express criticism, parodies or reviews). EU law also recognizes e.g. the *Freedom to conduct a business* as a fundamental right.³⁰ In this way, a broad variety of users are potentially able to defend themselves against trademark holders by arguments based on fundamental rights. Adding to the blurring of the interface between fundamental rights and IPR is, therefore, a certain *Trojan horse*-quality of the reference to "fundamental rights". Not only is the concept very wide. In addition, the boundaries for the individual rights and freedoms are constantly evolving and they develop often via case law, which is totally unrelated to IPR.

3. EU harmonization of trademark law

3.1. Generally

The EU legal order has found it hard to deal with trademarks. A *first* round harmonization blew through trademark law (and indeed IPR in general) in the 1970's and 1980s. During this process the Court of Justice of the European Community (what

²⁷ https://en.wikipedia.org/wiki/Campbell's_Soup_Cans

²⁸ Based on the Judgment of the Court of Appeal Paris of 16 November 2005, Case C-04/12417, *Esso Plc v Greenpeace France*, reprinted in [2006] E.T.M.R. 53.

²⁹ Based on the Judgment of the German Federal Supreme Court of 17 April 1984, Case VI ZR 246/82, *Marlboro v Mordoro*, ECLI:DE:BGH:1984:170484UVIZR24682, reprinted in [1986] E.C.C. 1, 6-7.

³⁰ EU Charter article 16.

is now the CJEU) relied on the provisions in the (at the time binding) Treaty of Rome (primarily on the Free Movement of Goods) to eradicate restrictions to intra community trade arising from the territorial nature of the uncoordinated national protection schemes in place at the time. As notable results a principle of regional exhaustion (“first sale”)³¹ and a rocky relationship between EU (or as it were “European Community”) law and national laws according to which EC law would only restrict the *exercise* of national IPR but left the *existence* of those rights untouched³² were established. In the subsequent and *second* round of harmonization in the late 80’s and mid 90’s, common rules were passed targeting those aspects of national law which had been touched in the first round or which were otherwise limiting the effective working of the Internal Market. For trademark law this led to the passing of the First Council Directive to approximate the laws of the Member States relating to trademarks in 1988³³ (1989-Directive) and the Regulation on Community trademarks in 1993³⁴ (1994-Regulation). The scope of the 1989-Directive was “limited to those national provisions of law which most directly affect the functioning of the internal market”³⁵ and created an obligation for Member States to implement the provisions of the Directive in their national Trademark Acts.³⁶ The Regulation created a free standing unitary right which was issued by a newly established transnational regional Trademark Office (“OHIM” (what is now the EUIPO))³⁷ and enforced nationally via dedicated courts. As it will be seen in the following, the ongoing round of harmonization combines elements from the first two rounds and sees a continued active CJEU applying constitutional norms to interpret the directives and regulations.³⁸

³¹ Judgments of the CJEU of 31 October 1974, Case C-15/74, *Centrafarm v Sterling Drug*, ECLI:EU:C:1974:114 (patents) and C-16/74, *Centrafarm v Winthrop*, ECLI:EU:C:1974:115 (trademarks).

³² E.g. Judgment of the CJEU of 3 July 1974, Case C-192/73, *Van Zuylen frères v Hag AG. (HAG I)*, ECLI:EU:C:1974:72, paras 6-8 and 15.

³³ First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks *Official Journal L* 40 of 11 February 1989 p 1. The directive was later amended and the official and codified version is now Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trademarks (Codified version) *Official Journal L* 299 of 8 November 2008, p. 25–33.

³⁴ Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark, *Official Journal L* 11 of 14 January 1994 p 1.

³⁵ First Council Directive 89/104/EEC, point 3.

³⁶ The new Directive also aims at providing a more comprehensive harmonization than the previous one and includes new aspects of procedural rules and has made some formerly facultative provision mandatory (notably the protection of marks with a reputation, *infra*), see 2015-Directive, points 8-14.

³⁷ General information at <https://euipo.europa.eu/ohimportal/en>.

3.2. The *expansion* of substantive trademark law

As seen from a traditional trademark law perspective, the result of the harmonization in the 80s and 90s was an *expansion* of the reach and scope of trademark law and a *strengthening* of the legal position of trademark holders. By way of examples: The Regulation established an extra layer of cheap and readily available EC-wide protection based on a single application and administered by a benevolent new regional Trademark Office; new types of marks were recognized (including colours and the shape of goods); protection for marks with a reputation was granted even if no risk of confusion is involved; and a principle of regional exhaustion gave right holders new ways of restricting parallel importation of goods which had been put on the market for the first time by the trademark holder or with its consent in a non-EU country.

In the ensuing case law, the main focus of the (as it later became) CJEU was “to prevent the protection afforded to the proprietor varying from one State to another” and “to eliminate disparities between the trademark laws of the Member States which may impede the free movement of goods and the freedom to provide services and distort competition within the common market”.³⁹ In the same vein, it was stated that the rule on exhaustion embodied “a complete harmonization” of the regional principle as this was the only interpretation which was fully capable of ensuring that the purpose of the Directive is achieved, namely to safeguard the functioning of the internal market.⁴⁰ Of course, the CJEU didn’t develop trademark law without any recognition of trademark law’s overall role as a part of the general legal system to protect “undistorted competition”⁴¹. In early decisions, the Court emphasized the public interest underlying the trademark provisions, which aimed at keeping descriptive signs or indications⁴² or signs consisting exclusively of the shape of the product necessary to obtain a technical result⁴³ outside of trademark protection to be freely used by all. In important decisions the CJEU also indicated concern about the risks of extending trademark protection e.g. by making it clear that protection should not by itself confer “an unjustified advantage for a single trader”⁴⁴ and that trademark

³⁹ Judgment of the CJEU of 12 November 2002, Case C-206/01, *Arsenal Football Club plc v Matthew Reed*, ECLI:EU:C:2002:651, para 45 and 46.

⁴⁰ Judgment of the CJEU of 16 July 1998, Case C-355/96, *Silhouette International Schmied GmbH & Co. KG v Hartlauer Handelsgesellschaft GmbH*, ECLI:EU:C:1998:374, para 25-27.

⁴¹ Judgment of the CJEU of 17 October 1990, case C-10/89, *SA CNL-SUCAL NV v HAG GF AG (Hag II)*, ECLI:EU:C:1990:359, para. 13.

⁴² Judgment of the CJEU of 4 May 1999, joined cases C-108/97, C-109/97, *Windsurfing Chiemsee*, ECLI:EU:C:1999:230, para. 25.

⁴³ Judgment of the CJEU of 18 June 2002, Case C-299/99P, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd.*, ECLI:EU:C:2002:377, para 79.

⁴⁴ Judgment of the CJEU of 6 May 2003, Case C-104/01, *Libertel Groep BV v Benelux Merkenbureau*, ECLI:EU:C:2003:244, para 54.

law offers no protection “against practices inherent in competition”⁴⁵. Still, the overall effect of the development of the CJEU’s practice was to the benefit of trademark holders.⁴⁶ This also affected the way the limitations and exceptions were used. For example, in *Gillette* the ECJ was asked to decide if and to what extent the seller of non-original blades that fit Gillette’s razor handles could use the Gillette brands on its packaging. The seller argued its use of Gillette’s marks to indicate the product’s intended purpose was in accordance with “honest practices” and thus was permitted under Article 6 of the Directive. The Court, however, interpreted the limitations in the Directive narrowly, stating that the “honest practices” requirement in Article 6 “in substance [constitutes] the expression of a duty to act fairly in relation to the *legitimate interests of the trademark owner*.”⁴⁷ As I have argued elsewhere with Lisa Ramsey while the “honest practices” language thus could be perceived as permitting open-ended balancing of the interests of the mark holder, competitors, and the public in a trademark dispute, this interpretation of Article 6 in *Gillette* provides for one-way-only flexibility to consider solely the interests of rights holders.⁴⁸ The *Gillette* decision in this way illustrates how the gravitational forces of EU trademark law were tending to the trademark holders’ interests.⁴⁹ The climax for this development arguably came in *L’Oréal v. Bellure* where the CJEU explained that the protected functions of a mark are not limited to the origin function, but include other functions such as “guaranteeing the quality of the goods or services in question and those of communication, investment, or advertising.”⁵⁰ Even though the CJEU has so far relied on the functional analysis in a limited number of instances and only to restrict the scope of the so-called “double identity-“rule⁵¹ the broadness of the protected functions

⁴⁵ Judgment of the CJEU of 22 September 2011, Case C-323/09, *Interflora Inc., Interflora British Unit v Marks & Spencer plc. v Flowers Direct Online Ltd*, ECLI:EU:C:2011:604, para 57.

⁴⁶ E.g. Senftleben, M, Trademark Protection – A Black Hole in the Intellectual Property Galaxy?, *International Review of Intellectual Property and Competition Law* (2011) 42:383-387 and Kur A, Trademarks Function, Don’t they? CJEU Juridprudence and Unfair Competition Principles, *International Review of Intellectual Property and Competition Law* (2014) 434 – 453.

⁴⁷ Judgment of the CJEU of 17 March 2005, Case C-228/03, *the Gillette Company v. LA-Laboratories Ltd.*, ECLI:EU:C:2005:177, para. 49 with references. Italics added.

⁴⁸ See Ramsey and Schovsbo *supra* note 4 p. 676, with references also to the narrow interpretations by the CJEU of the statutory limitations in the Judgment of 25 January 2007, Case C-48/05, *Adam Opel AG v. Autec*, ECLI:EU:C:2007:55, para. 18, 22, and Judgment of 8 July 2010, Case C-558/08, *Portakabin Ltd. v. Primakabin BV*, ECLI:EU:C:2010:416.

⁴⁹ *Ibid.*

⁵⁰ Judgment of the CJEU of 18 June 2009, Case C-487/07, *L’Oréal SA v. Bellure NV.*, ECLI:EU:C:2009:378, para. 58. The case and the functionality analysis has been widely debated e.g. Kur *supra* note 46 and Senftleben, Martin, Function theory and international exhaustion: why it is wise to confine the double identity rule in EU trademark law to cases affecting the origin function, *European Intellectual Property Review*, August, 2014, Vol.36(8), p.518-524.

⁵¹ I.e. the provision found in the 1989-Directive Article 5(1)(a). According to Recital 11 the protection in such instances is “absolute”. However, the CJEU has consistently made it clear that protection under this rule is limited to instances in which a third party’s use of the sign affects or is liable to affect the functions of the trademark, *L’Oréal* *ibid.* with further references. In this way the protection is made conditional on the effect on a function and is not ‘absolute’.

have arguably left trademark holders with ample and strong arguments for further pushing the development their way.

To sum up this very brief overview of EU trademark law, the development in the case law of the CJEU based on the legal reforms in the 1980's and 90' was an overall tendency for the Court to further the internal market and the economic effects of trademark and to develop the law primarily with a view to the interests of incumbent trademark holders. Importantly, the expansion in terms of the arms of the trademark holders was not matched by a similar development in terms of the arms of the users (private and/or commercial). Till the recent amendments (infra), the catalogue of limitations and exceptions had not been touched. It was against this basis that when the trademark system of EU was being reformed a call was issued for a new e limitation infrastructure that could ensure a balanced application of resulting norms in the future *vis-à-vis* the societal interests in freedom of expression and competition.⁵²

4. The New EU Trademark Rules

For the present purposes the most important (but not the only see infra) novelty is the following Recital in the Preamble of the new EU trademark Regulation⁵³:

“(21) The exclusive rights conferred by an EU trademark should not entitle the proprietor to prohibit the use of signs or indications by third parties which are used fairly and thus in accordance with honest practices in industrial and commercial matters. In order to create equal conditions for trade names and EU trademarks in the event of conflicts, given that trade names are regularly granted unrestricted protection against later trademarks, such use should be only considered to include the use of the personal name of the third party. It should further permit the use of descriptive or non-distinctive signs or indications in general. Furthermore, the proprietor should not be entitled to prevent the fair and honest use of the EU trademark for the purpose of identifying or referring to the goods or services as those of the proprietor. Use of a trademark by third parties to draw the consumer's attention to the resale of genuine goods that were originally sold by or with the consent of the proprietor of the EU trademark in the Union should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters. Use of a trademark by third parties for the purpose of *artistic expression* should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters. *Furthermore, this*

⁵² Senftleben et al. (including this author), *supra* note 4

⁵³ A similar provision is found in the new Directive, point 27. The 1989-Directive did not include a similar wording. Instead, it contained a provision in Recital 7 that the EU rules does not “exclude the application to trademarks of provisions of law of the Member States other than trademark law, such as the provisions relating to unfair competition, civil liability or consumer protection”. Even though not excluding the application of provisions of fundamental rights such as free speech such interests are clearly not on the mind of the drafters of this Recital. The 2015-Directive should be fully implemented on January 15 2019 see article 54 and 55. Since the Regulation entered into force already on March 23 2016 the legal situation is a bit schizophrenic until the Directive has been put into effect. One would expect national courts, however, to pay very close attention to the Regulation since the rules and provisions there will soon become effective regarding national trademarks too.

Regulation should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression.” (emphasis added)

The process which eventually led to the adoption of the new Regulation and Directive in December 2015, began in 2009 when the EU Commission initiated a review of the EU trademark system.⁵⁴ Since it was concluded that existing system had been performing well no need for major revisions was identified, it became the purpose of the reform to make the well-known system more effective and user-friendly. Following this, a first proposal was published in 2009.⁵⁵ The references to fundamental rights (and artistic expression) now found in Recital 21 of the Trademark Regulation were not included in the original proposal. Instead, they were introduced late in the legislative process and without much further ado. In fact, the provision has hardly left any trace at all and very little interpretative aid can be found in the *travaux préparatoires*. The important MPI-Study, which was commissioned by the Commission and contains an extensive study of the trademark rules including a comprehensive stakeholder analysis did not foresee any mentioning of fundamental rights.⁵⁶ Nor did the 2009 and 2013 Commission proposals, which aimed only at certain uses within the traditional framework of trademark law and the overarching concept of “honest practices in industrial and commercial matters”. This included a new limitation on referential use (which was eventually adopted, see *infra*) but contained no reference to fundamental rights (nor to artistic use).⁵⁷ A suggestion to add fundamental rights and freedoms was first made by the Committee on Legal Affairs⁵⁸ and later backed up by the Committee on the Internal Market and Consumer Protection⁵⁹. In its first reading of the 25th of February 2014, the European Parliament suggested to incorporate these concerns via an express limitation aimed at parody, artistic expression, criticism or

⁵⁴ Overview at http://ec.europa.eu/growth/industry/intellectual-property/trade-mark-protection_en.

⁵⁵ Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 207/2009 on the Community trademark, COM/2013/0161 final - 2013/0088 (COD).

⁵⁶ Study on the Overall Functioning of the European Trademark System presented by Max Planck Institute for Intellectual Property and Competition Law, Munich 15.02.2011, point 2.252 (the MPI-Study). The Study is available e.g. at http://ec.europa.eu/growth/industry/intellectual-property/trade-mark-protection_en

⁵⁷ 2009 Proposal and European Commission, 2013/0088 (COD), COM (2013), 161 final, 27 March 2013, p. 9, Recital (21): The exclusive rights conferred by a European trademark should not entitle the proprietor to prohibit the use of signs or indications which are used fairly and in accordance with honest practices in industrial and commercial matters. In order to create equal conditions for trade names and trademarks in case of conflicts against the background that trade names are regularly granted unrestricted protection against later trademarks, such use should be considered to include the use of one’s own personal name only. It should further include the use of descriptive or non-distinctive signs or indications in general. Moreover, the proprietor should not be entitled to prevent the general fair and honest use of the European trademark for identifying or referring to the goods or services as those of the proprietor.”

⁵⁸ European Parliament (*Committee on Legal Affairs*), Amendments 71-189, 2013/0088 (COD), 31 October 2013, p. 5-7.

⁵⁹ European Parliament (*Committee on the Internal Market and Consumer Protection*), Opinion, 2013/0088 (COD), 07 November 2013, p. 7.

comment.⁶⁰ In the subsequent process, however, this suggestion was not followed. Instead it was agreed to amend the recitals and insert the wording mentioned *supra* and to not address the matter directly in the substantive provisions.⁶¹

Recital 21 covers a number of different issues and topics, which all have in common that they aim to indicate limits for trademark exclusivity. In this way, the Recital could be seen as answering the call mentioned *supra* for a stronger limitations infrastructure to match the expansion of trademark law. The first part of the Recital subjects provides for limitations but only to the extent that the use by third parties is fair and in accordance with honest practices. The application of fundamental rights and freedoms is not, however, made subject to the “fair and honest practices-”test. Instead, this part constitutes a freestanding test. This is also the effect of the use of the opening word – “furthermore” – and by the adjective “*full* respect”. These interests should be taken into account when applying *any* rule or principle of trademark law (see more *infra*) including the definition of which uses are “fair” and in conformity with “honest practices”.

4.1. The constitutionalization of trademark law

The new Recitals in the Preamble on fundamental rights confirm and reflect a general trend of *constitutionalization* of IPR in EU-law. As described *supra* this process involves a more direct involvement of constitutional norms in the interpretation and application of IPR than previously known. Furthermore, Geiger also points out, how a constitutional dimension would enable (perhaps even force) courts to integrate concerns and values which have not been expressed directly in the traditional IPR analysis and to aim for the general societal well-being and appropriate balance between different interests.⁶² Apart from confirming that trade mark law is part of this overall trend, it is submitted that the active step of internalizing fundamental rights into trademark by the new Recitals is going to *accelerate* the processes identified by Geiger. This is not going to revolutionize EU trade mark law. As explained *supra* the well know rules and principles remain in force and the constitutionalization does not require *contra legem* interpretations by courts. Nor does the development detract the societal value of trademark protection or diminish the importance of fair and honest commercial practices. The constitutionalization does, however, open the door for new arguments and perspective in trade mark cases. Furthermore, the explicit internalization of those norms could well leap-frog any hesitations following from the traditional external/internal view described *supra*. The

⁶⁰ European Parliament, Text adopted by the Parliament, 1st reading/single reading, 2013/0088 (COD), 25 February 2014, point 14.

⁶¹ Council of the European Union, Statement of the Council’s reasons, 2013/0088 (COD), 10373/1/15 REV 1 ADD 1, p. 6-7 and European Commission, Communication from the Commission to the European Parliament, 2013/0088 (COD), COM (2015), 589 final, p. 4.

⁶² Geiger *supra* note 4, 371.

effect on national courts will come in part via the CJEU⁶³ and in part via the national implementation. In both instances courts are going to rely on the preamble to cast light on the interpretation of a legal rule.⁶⁴ For courts such as Danish ones which have traditionally been reluctant to rely on arguments derived from fundamental rights this will no doubt make the application of free speech arguments etc. more accessible than previously.

4.1.1. *The example of copyright*

The CJEU has dealt with IPR and Fundamental Rights in number of judgments. Till now, most of these have concerned copyright.⁶⁵ In the following, I'll mentioned only some examples.⁶⁶ Even though copyright cases are arguably more prone to arguments based on free speech because of copyright's subject matter one would expect the general principles developed by the CJEU to apply even to trademark law.

⁶³ National courts are obliged to refer preliminary questions to the CJEU when in doubt on the interpretation of EU law, TFEU article 267 and previous decisions are binding on national courts.

⁶⁴ E.g. Judgment of the CJEU of 13 July 1989, Case C-215/88, *Casa Fleischhandels-GmbH v Bundesanstalt für landwirtschaftliche Marktordeung* ECLI:EU:C:1989:331 para 31.

⁶⁵ See most notably Judgment of the CJEU of 12 September 2006, Case C-479/04, *Laserdisken ApS v Kulturministeriet*, ECLI:EU:C:2006:549; Judgment of the CJEU of 29 January 2008, Case C-275/06, *Productores de Música de España (Promusicae) v Telefónica de España SAU*, ECLI:EU:C:2008:54; Judgement of the CJEU of 24 November 2011, Case C-70/10, *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, ECLI:EU:C:2011:771; Judgement of the CJEU 1 December 2011, Case C-145/10, *Eva-Maria Painer v Standard Verlags GmbH and Others*, ECLI:EU:C:2011:798; Judgement of the CJEU of 9 February 2012, Case C-277/10, *Martin Luksan v Petrus van der Let*, ECLI:EU:C:2012:65; Judgement of the CJEU of 16 February 2012, Case C-360/10, *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV*, ECLI:EU:C:2012:85; Judgement of the CJEU 15 November 2012, Case C-180/11, *Bericap Záródástechnikai Bt. v Plastinnova 2000 Kft.*, ECLI:EU:C:2012:717; Judgement of the CJEU of 22 January 2013, Case C-283/11, *Sky Österreich GmbH v Österreichischer Rundfunk*, ECLI:EU:C:2013:28; Judgement of the CJEU of 27 June 2013, Case C-457 and C-460/11, *Verwertungsgesellschaft Wort (VG Wort) v Kyocera and Others (C-457-11) and Canon Deutschland GmbH (C-458/11), and Fujitsu Technology Solutions GmbH (C-459/11) and Hewlett-Packard GmbH (C-460/11) v Verwertungsgesellschaft Wort (VG Wort)*, ECLI:EU:C:2013:426; Judgement of the CJEU of 27 March 2014, Case C-314/12, *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH*, ECLI:EU:C:2014:192; and Judgement of the CJEU of 3 September 2014, Case C-201/13, *Johan Deckmyn and Vrijheidsfonds VZW v Helena Vandersteen and Others*, ECLI:EU:C:2014:2132. For in-depth analysis and for a (then) full-history account see Mylly, *supra* note 4.

⁶⁶ As a notable example of the general character of the constitutionalization, the Judgment of the CJEU of 16 July 2015, Case C-170/13, *Huawei Technologies v ZTE Corp and ZTE Deutschland*, ECLI:EU:C:2015:477, on competition law and standard essential patents indicated as a starting point for its analysis that a balance should be struck between maintaining free competition and the requirement to safeguard that proprietor's intellectual-property rights guaranteed by Article 17(2), para 57.

In 2006, the CJEU found in *Laserdisken* that a provision which restricted parallel importation from third countries of copyright protected material including movies⁶⁷ did not violate the principle of freedom of expression. In so finding the Court explained that the rule does not prevent copyright holders from communicating their ideas but rather to control the first marketing of the object protected by the right (point 63). The important point as seen from a constitutional perspective is not the actual result but the way the CJEU framed its assessment of the validity of the exhaustion rule under the general balancing principle established by ECHR Article 10 on Freedom of expression.⁶⁸ In this way the Court not only implicitly accepted the relevance of that provision for the evaluation of the provision in copyright. By way of inference it also accepted that it might have found the provision in the Directive to be *unjustified* in the light of the balancing principle contained in Article 10. The Court in this way recognised at least in principle⁶⁹ that it would be able to use the (external) fundamental right (*in casu* the ECHR Article 10) to second guess the (internal) balancing of the copyright legal instrument. In *Promusicae*⁷⁰ from 2008, the Court found that the EU-rules only impose limited obligations on Internet Service Providers (ISPs) to communicate personal data in order to ensure effective protection of copyright. The CJEU explained that the case raised the need to reconcile different fundamental rights, *viz.* the right to respect for private life on the one hand (i.e. EU Charter Article 8) and the rights to protection of property (i.e. EU Charter Article 17) and to an effective remedy (i.e. EU Charter Article 47) (para 65). To reconcile those interests, the CJEU instructed national courts to "take care to rely on an interpretation of the directives which allows *a fair balance to be struck* between the various fundamental rights protected by the Community legal order" (para. 68 *italics added*). In particular courts should not just interpret national laws in a manner

⁶⁷ The rules on exhaustion in Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L 167/10, article 4.

⁶⁸ Which reads: "1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This Article shall not prevent States from requiring the licensing of broadcasting, television or cinema enterprises. 2. The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary".

⁶⁹ On the other hand, unlike the Advocate General in the case, Opinion of Advocate General Sharpston delivered on 4 May 2006 points 65-71, the Court never engaged in any substantive discussion but simply stated that "the alleged restriction on the freedom to receive information is justified in the light of the need to protect intellectual property rights" (point 65). According to Mylly, *supra* note 4, *Laserdisken* represents the "culmination of the rejection and ignorance period [of the CJEU] in IP matters".

⁷⁰ *Supra* note 65.

consistent with EU-directives. They should also make sure that they do not rely on an interpretation of them “which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality ...” (para 68). Not only is the balancing test and the principle of proportionality introduced as the basic way of reconciling the different interests. The balancing test should, furthermore, be applied in a way which makes it clear that the need to secure the “effective protection of copyright” (i.e. the fundamental right to property (para 62)) does not trump the interests inherent in protecting the communication of personal data (i.e. the fundamental right to effective judicial protection (para 62) and the protection of personal data and of private life (para 63)). Safeguarding copyright as a fundamental right in other words does not take priority but is just one interest amongst other equally important interests. Next, in 2011 in *Scarlet Extended*⁷¹ the Court rejected that the EU-rules on enforcement of copyright *vis-à-vis* ISPs require them to install all-encompassing filtering systems. The CJEU remarked i.a. that

“The protection of the right to intellectual property is indeed enshrined in Article 17(2) of the Charter of Fundamental Rights of the European Union (‘the Charter’). There is, however, *nothing whatsoever in the wording of that provision or in the Court’s case-law to suggest that that right is inviolable and must for that reason be absolutely protected*” (para 43. Italics added).

Instead the protection of the fundamental right to property, which includes the rights linked to intellectual property, must be balanced against the protection of other fundamental rights (para 44) with a view of striking “a fair balance between the protection of copyright and the protection of the fundamental rights of individuals who are affected by such measures” (para 45). The latter includes the freedom to conduct a business enjoyed by operators such as ISPs pursuant to Article 16 of the Charter (para 46). In *UPC Telekabel*⁷² from 2014, the CJEU explained that in deciding whether or not to grant injunctions prohibiting ISPs from allowing customers access to web-sites containing copyright infringing material national courts should balance the involved interests as these have been expressed through the rules on fundamental rights and other general principles such as the principle of proportionality (para 46). As explained in *Scarlet*, those interests include Article 16 which according to the Court includes i.a. “the right for any business to be able to freely use, within the limits of its liability for its own acts, the economic, technical and financial resources available to it” (para 49).⁷³ Consequently, an injunction which impose grave costs or impose other disproportional burdens on IPSs would not be justified (para 52 and 53). Furthermore, the Court explained that an IPS in choosing the measures to be adopted in order to

⁷¹ *Supra* note 65.

⁷² *Supra* note 65.

⁷³ Generally G Ghidini and A Stazi, Freedom to conduct a business, competition and intellectual property”, 410 – 420 in Geiger C (ed.) *supra* note 4.

comply with an injunction should include the interests of the *users* in using the provider's services in order to "lawfully access information" (para 56). Failing to take the interests into account as part of the balancing would, the Court explained, not take due account of the "freedom of information" of the users (*ibid.*). The national court must check that these limits are respected (para 57). Remarkably the CJEU here relies on the fundamental right of freedom of information to impose obligations on a private party (the ISP) *vis-a-vis* another private party (the user). Finally yet importantly in 2014 in *Deckmyn*⁷⁴, the Court linked the existence of the exception on parodies in the Infosoc-Directive to the Charter. The Court explained that the exception should be interpreted in a way which enabled the effectiveness of the exception thereby established to be safeguarded (para 23)⁷⁵ and which stroke a fair balance between, on the one hand, the interests and rights of right holders and, on the other, the freedom of expression of the user of a protected work who is relying on the exception for parody (para 27).

As it can be seen, the CJEU in all these decisions in one way or the other factored arguments based on fundamental rights norms into the assessment of the legality or effects of the IP-legislation. In this way, the *external* fundamental rights norms have come to serve at the same time as legitimizing the IPR norms and as instruments of interpretation of the *internal* IPR rules. The central mechanism is the *balancing of interests*. As explained by Griffiths the term "balancing" should be understood merely as a metaphor for a process which involves a detailed exercise of comparison between the requirements of competing interests.⁷⁶ Unlike in a traditional IPR analysis the constitutional balancing uses fundamental rights norms to frame the issues and as the basis for finding the relevant arguments. As seen in this perspective, the weight on the right holder's side of the scale is provided by the right to property (Article 17(2) of the Charter).⁷⁷ On the other side of the scale one might find the right to freedom of expression (Article 11(1) of the Charter) or the freedom to conduct a business (Article 16 of the Charter). Importantly, the right to freedom of expression and the freedom to conduct a business are based on a respect for the existence of IPR (to use the phrase coined by the CJEU, *supra*) but are available to legitimize and facilitate limitations in certain cases. The nature of the interests and their weights cannot, however, be gauged once and for all but must be determined through a case by case analysis. This *open-endedness* lies at the very heart of the test. Another part is the *turning about* of the base line for assessing which is the main rule (exclusivity or freedom of information) and which the limitation (injunction or access to use) as identified *supra*

⁷⁴ *Supra* note 65.

⁷⁵ Similarly in Judgment of the CJEU of 10 November 2016, Case C-174/15, *Vereniging Openbare Bibliotheken v Stichting Leenrecht*, ECLI:EU:C:2016:856, para 51 (on the public lending limitation).

⁷⁶ Griffiths, *supra* note 4, 74.

⁷⁷ *Ibid.*, 71 and Schovsbo *supra* note 22.

which makes any *a priori* assumption about a narrow or broad interpretation of the limitations problematic. Accepting balancing as the basis of a legal analysis is thus to accept that cases cannot be decided based on deduction or with reference alone to IPR-systematic concerns.⁷⁸ This is also the gist of the dictum in *Scarlet* that IPR is “not inviolable” and must not be “absolutely protected”.

5. Impact assessment

5.1. General

The new Recitals have confirmed that trademark law is part of the broader trend of constitutionalization. For this reason, the principles developed by the CJEU in the copyright cases are applicable also to trademarks *mutadis mutandis*. The immediate effects of this will most likely not be dramatic. At the same time, however, the more pronounced role of constitutional norms in trademark law proper is most likely going to serve as a *catalyst* for trademark analysis simply by opening the normative space and forcing courts to hear new types of arguments in trademark cases.⁷⁹

The new Directive/Regulation introduced some minor changes in terms of the substantive provisions. Some of these changes aimed at bolstering protection e.g. in regard to goods in transit⁸⁰ or to geographical indications.⁸¹ Others are pushing in an opposite direction and will likely benefit users of trademark protected products. Most notably a novel limitation for the purpose of identifying or referring to goods or services as those of the proprietor of that trademark was introduced.⁸² This limitation covers e.g. the use of a third party’s trademark for selling that party’s used goods or for selling parallel imported goods, i.e. the “double-identity-“situation.⁸³ In the same vein, Recital 18 of the Directive now makes it clear that an infringement of a trademark can only be established if there is a finding that the infringing mark or sign

⁷⁸ Schovsbo, *supra* note 22.

⁷⁹ The EU courts have also relied on provisions in the Charter in cases involving trademarks and procedural matters, e.g. Judgment of the General Court of 22 May 2012, case T-585/10, *Aitic Penteo v OHIM*, ECLI:EU:T:2012:251 (on the EU Charter Article 41(2)(c) on the obligation of the administration to give reasons for its decisions) and Judgment of the CJEU of 27 March 2014, Case C-530/12, *OHIM v. National Lottery Commission*, ECLI:EU:C:2014:186 (on EU Charter Art 47 on fair trial). I will disregard these decisions in the following and focus instead on substantive trademark law.

⁸⁰ Regulation Article 9(4).

⁸¹ Regulation Article 8(4a).

⁸² Regulation Article 12: “1. An EU trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: ... (c) the EU trademark for the purpose of identifying or referring to goods or services as those of the proprietor of that trademark, in particular, where the use of that trademark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts” (the original version read: “(c) the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts”). Similarly Directive article 14.

⁸³ Directive article 10(2)(a) and Regulation article 9(2)(a).

is “used in the course of trade for the purposes of distinguishing goods or services”. The use of marks for – say – decorative purposes or the accidental use of a mark cannot constitute an infringement.

5.1.1.1 Concrete issues

Turning to the most likely concrete effects and the ability of the new trademark system to address some of the concerns raised, Martin Senftleben has made the following observation (before the adoption of the new provisions):

“In the area of limitations of the scope of trademark protection, the analysis revealed that with the continuous expansion of trademark protection in the EU, inherent limits of exclusive rights become less and less reliable safe harbours for free speech. It has become more difficult to demarcate exactly the limits of actionable trademark use. Besides forms of use that would interfere with the essential trademark function of signalling the commercial origin of goods and services, EU trademark owners may also have success in invoking trademark rights against forms of use, such as criticism, comment and parody that do not impair the basic origin function, but may adversely affect brand image and goodwill. This expansion of trademark rights is likely to have an increasingly deterrent effect. The mere risk of being sued for trademark infringement because of a biting comment or parody may prevent users from engaging in these forms of free speech. To safeguard freedom of expression, it is thus advisable to reassure users of trademarked signs that certain forms of use are exempted from the control of the trademark owner by adopting appropriate exceptions that can be invoked as defences against alleged infringement. In this way, legal certainty can be re-established, and socially and culturally valuable use can be encouraged.”⁸⁴

Following this analysis, I will focus my assessment of the impact of the changes in relation to two issues i.e. 1) Demarcation of the limits of actionable trademark use and 2) Limitations as safe harbors for fundamental rights.

1) *Demarcation of the limits of actionable trademark use*

Senftleben has noticed a deterrence effect arising from the actual or perceived ability of trademark holders to rely on the extended protection offered to marks with a reputation to successfully invoke trademark rights against forms of use, such as criticism, comment and parody that do not impair the basic origin function, but may adversely affect brand image and goodwill.

The protection of *marks with a reputation* (or “well known marks”) did not change with the new rules. According to the Directive article 10(2)(c) (Regulation Article 9(2)(c)) holders of such marks may thus still prevent the use of such marks where such use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trademark.⁸⁵

The scope of the protection under EU law for marks with a reputation is very broad. Thus, in *L’Oréal/Bellure* the Court stated that *taking unfair advantage* covers, in

⁸⁴ Senftleben *supra* note 4, 376 (footnote omitted).

⁸⁵ Unlike in the previous Directive the obligation in article 10 is now mandatory.

particular, “cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is *clear exploitation on the coat-tails of the mark with a reputation*”.⁸⁶ According to this test the burden of proof for finding infringement is very light.⁸⁷ Arguably, the CJEU has so far limited the application of the “standing on the coattail-“test to cases where imitations are offered for sale.⁸⁸ This reading, however, is open to challenge and what remains is a broad and wide area for trademark holders to argue their case. For artists who include trade marks in artworks which are offered for sale or for partly commercial organizations such as Greenpeace who use trademarks or parodies to express criticism in ways which involve a commercial elements (e.g. the selling of T-shirts) determining the scope of the coattail-test is complicated and may prevent even beneficial activities. Also commercial users who depend on e.g. rating or comparing companies or provide general information about products and rely on trade marks to identify those companies or products could find themselves liable to infringement suits even beyond the sphere where the use dilutes or harms the trademarks in question.

In light of the potential broadness of the scope of the protection for well-known marks Di Cataldo has pointed to the importance of the balancing potential of the *without due cause*-criterion both in limiting the scope of protection and in making it clear that the limitations also apply for marks with a reputation.⁸⁹ If understood as a separate negative criterion, it may thus counterbalance the positive criteria in Article 10 (i.e. unfair advantage or detriment). The role and function of the “due course” requirement is not clear. The German Supreme Court relied on this criterion for finding the use of a trademark as a parody to be legal in the light of the artistic freedom (the color purple used for Milka-chocolate and with a text which alluded ironically to the trademark).⁹⁰ So far, however, the CJEU has not devoted much energy to develop this

⁸⁶ *Supra* note 50, para. 41. Italics added.

⁸⁷ The burden for establishing that the use would be detrimental to the distinctive character of the earlier mark is higher, Judgment of the CJEU of 27 November 2008, case C-252/07, *Intel Corporation v CPM United Kingdom*, ECLI:EU:C:2008:655, para. 77 (requiring “evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future”).

⁸⁸ Judgment of the CJEU of 23 March 2010, Joined cases C-236/08, C-237/08 en C-238/08, *Google France SARL and Google Inc. v Louis Vuitton Malletier SA* (C-236/08), *Google France SARL v Viaticum SA and Luteciel SARL* (C-237/08) and *Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others* (C-238/08), ECLI:EU:C:2010:159, para. 102 and 103.

⁸⁹ Di Cataldo V, *The Trade Mark with a Reputation in EU Law – Some Remarks on the Negative Condition ‘Without Due Cause’*, 2011 *International Review of Intellectual Property and Competition Law* 833-845.

⁹⁰ Judgment of the German Supreme Court of 3 February 2005, Case I ZR 159/02, (OLG Hamm) *Lila-Postkarte*, ECLI:DE:BGH:2005:030205UIZR15902, *Gewerblicher Rechtsschutz und Urheberrecht* 2005, 583 (with picture). Senftleben *supra* note 4, 364 points out that the court did in fact find the use to be capable of constituting an infringement so the “due course-“criterion was relied upon as a “last stop”.

part of the provision. In *Interflora* the CJEU recognized the use of someone else's trademark to inform consumers about alternative offers in the market place as falling within the ambit of fair competition and to constitute a "due cause". The acceptance was limited, however, to uses where the third party did not offer "mere imitations" or used the mark in ways that caused dilution or tarnishment or which adversely affected the functions of the trademark concerned.⁹¹ It is not clear from this decision whether the due cause-criterion is to be seen as a separate criterion or whether it is merely factored into the broader assessment of the admissibility of the use. A robust application of the undue cause requirement could help calm the concern one might have following *L'Oréal/Bellure*. It is submitted that the new Recitals are going to provide users with strong arguments to persuade courts to consider the test as establishing a separate criterion.

For the use of trademarks for the purpose of *artistic expression* the reference in the recitals is not backed up by any specific limitation. Therefore, courts are going to include this perspective via the overall test of infringement. The first step in such an analysis would be to consider whether or not the mark is used "as a mark" (i.e. "for the purposes of distinguishing goods or services" as it is now expressed in Recital 18). For marks which are used e.g. as part of a painting this would normally not be the case. Courts should also, however, take into account whether the use for the purpose of artistic expression is *fair and in conformity with honest practices*. If that is not the case, the artist would violate trademark law if there is a risk of confusion or (for well-known marks) the use is taking unfair advantage of the mark or is detrimental. It is thus not *any* use for artistic purposes which should be exempted from trademark claims. In finding the boundaries, the mere existence of a commercial interest should arguably not bring the activity within the ambit of trade mark exclusivity. For instance putting a painting which uses a trademark as part of its motive on the market for sale should not bring it within reach of trademark law. In support for such a reading, courts are now able to rely on the last part of the Recital (*supra*). It would, therefore, most likely just be in those instances where a work of art containing a trade mark as an important part of the motive is used as merchandise or in other commercial and non-artistic ways that trademark protection would be triggered. Traditional analyses would lead to the same results⁹² but, the Recital is without any

⁹¹ *Supra*, note 45, para. 91: "By contrast, where the advertisement displayed on the internet on the basis of a keyword corresponding to a trademark with a reputation puts forward – without offering a mere imitation of the goods or services of the proprietor of that trademark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trademark concerned – an alternative to the goods or services of the proprietor of the trademark with a reputation, it must be concluded that such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned and is thus not without 'due cause' for the purposes of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94."

⁹² Senftleben, *supra* note 4, 363.

doubt going to make it easier for courts to draw the lines and to include the user's interest in the assessment too.

A constitutional reading with an accent on the *freedom to conduct a business* would arguably also make it easier for courts to assess in a comprehensive way which novel practices should be allowed for as being “inherent in competition”⁹³ and which should be deemed illegal. Some of these uses would fit well within the known categories e.g. the use of trademarks in comparative advertising.⁹⁴ Other uses would be harder to access such as the use to identify products known only under the trade mark.⁹⁵ Considering, however, the fast pace of innovation it is hard to foresee which novel kinds of uses may emerge. So far, many of the activities which have challenged trademark law – e.g. keywording, metatags, the use by on-line auctions sites etc. – have not relied trademarks as indications of commercial origin in the traditional sense but rather as fodder for the search engines. It is hard to see why future uses would not continue to develop new ways for trademarks to be used. In order for trademark law to keep up and to deliver legal solutions which strikes the right balance between the legitimate interest of the holder of rights in marks and of those marks flexibility is needed. The inclusion of the “freedom to conduct a business-” standard may well provide an important piece for finding that balance.⁹⁶

2) *Limitations as safe harbours for fundamental rights*

Should courts also in trademark cases decide to take their cue from the Deckmyn-decision in copyright (supra) one could expect that they would engage in an open minded discussion which recognizes the interests of users on the same level as those of trademark holders. This would imply a rejection of any *a priori* assumptions that limitations and exceptions should be construed narrowly and to the benefit of the trademark holder. This does not mean that courts would automatically interpret limitations in a pro user way. Instead, the new line of arguing would suggest that users' interests should be recognized as being of a high ranking nature to the extent that they are backed up by fundamental rights interests. This would cover not only free speech interest but arguably also commercial interests if access is necessary to engage in normal and fair commercial activity. For referential uses a new provision is now in place

⁹³ Judgment in Interflora, *supra* note 45.

⁹⁴ The Directive article 10(2)(f) (the Regulation article 9(3)(f)) now makes it clear that it constitutes a trademark infringement to use a sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, OJ L 376, 27.12.2006, p. 21.

⁹⁵ Di Cataldo, *supra* 839 et seq. (mentioning the Segway as an example)

⁹⁶ See in the same vein Riis T and Schovsbo J, Compulsory licences and trade marks, *European Intellectual Property Review*, Oct, 2012, Vol. 34(10), p. 651-653 arguing that access to use the trademark warrants the granting of a compulsory license to use the mark (if the origin function is not jeopardized).

and this is no doubt going to absorb some important concrete uses and make it clear that e.g. the use for used or parallel imported products is legal.

Concretely one would expect the framing of the balancing of interest in Gillette (supra) to not be continued. Instead of measuring the effects as seen from the perspective of the trademark holder only one would expect the CJEU and national courts to begin their balancing of interests with empty scales and to apply the criterion “honest practices” in an open-ended way.

6. Final remarks

As seen from a broader perspective the new Recitals have confirmed the development in case law from the CJEU of the overarching importance of fundamental rights to IPR and their close interrelationship the two areas of the law. The *constitutionalization* identified by Geiger as a means of reining in IPR protection and placing IPR it within a legal framework which focuses on the effects (i.e. costs) of the protection system as seen from a general societal perspective is now cast in stone. In terms of the application of trademark law the Recitals have clarified the existence of a two layer framework which combines open ended standards from fundamental rights with a catalogue of specific limitations. On the overall level this structure is recommendable as it combines flexibility and clarity to give the courts room of manoeuvre.⁹⁷

The new Recitals are not going to revolutionize EU-trademark. They are, however, going to have an effect even outside of the outlier cases where trademark law and fundamental rights come head to head. For those cases – which are important – the Recitals will provide clarity and help relieve any freeze effects stemming from the practices of aggressive trademark holders. More generally, the inclusion of fundamental rights norms into trade mark legal analysis is going to provide courts and parties with a welcome opportunity to broaden the scope of the arguments to go beyond the traditional trademark values in undistorted competition and the free movement of goods. These values will continue to be important for future cases but it is now clear that they do not stand alone and that court should in drawing the line for what is actionable or not under trademark law should recognize users’ interests in access to use protected marks when appropriate. This will in turn most likely mean that the broad and open ended provisions of trademark law will become more important. In particular the provisions on *due cause* and on *honest practices* are very

⁹⁷ Ramsey and Schovsbo, *supra* note 4 (pointing out i.a. that already under the existing “constitutionalization this is the model preferred by the EU and that a similar position is emerging in US trademark law and recommending the approach on an international level).

susceptible to broader and value based arguments and are most likely going to be relied upon in a more pronounced way in future case law. Even other open ended provisions such as the requirement that a sign must be “distinctive” is inviting arguments and one could well imagine that e.g. an argument that a certain sign has general importance as being of “cultural significance”⁹⁸ could be backed up by claims based on fundamental rights that access to this sign should remain free to not unreasonably restrict free speech or commercial freedom.

⁹⁸ Senftleben, *supra* note 4, 356 and 358 et seq.